



# LIMITED ISSUE FOCUSED EXAMINATION (LIFE)

- Large & Mid-Size Business (LMSB) initiative
- Applies to taxpayers with assets over \$10 million
- Streamlined examination process
- Examination focuses time & resources on the most material issues



# LIFE KEY FEATURES

- Risk analysis is used to identify all material issues
- Materiality threshold(s) for issue selection and claims
- Limit scope of examination
- Memorandum of Understanding (MOU) governs key aspects of examination



# LIFE

## KEY FEATURES

- Shared responsibility for timely completion of the examination
- Increased communication between IRS and taxpayer
- Scope may not be expanded without managerial approval
- No claims or affirmative issues below thresholds



# LIFE KEY FEATURES

- Issue resolution tools
- Offering the LIFE process to a taxpayer is the decision of the IRS
- Consistent process for all LIFE examinations
- Process is terminated if either party fails to meet commitments



# LIFE

## MOU COMMITMENTS

- IRS shares full and limited scope issues
- Joint examination planning process
- Completion of exam by agreed upon date
- Taxpayer provides briefings on significant events, transactions, industry practices, and accounting system



# LIFE

## MOU COMMITMENTS

- Materiality thresholds established
- No scope expansion below thresholds
- No claims or affirmative issues below thresholds
- Claims above thresholds filed by agreed upon date



# LIFE MOU COMMITMENTS

- Taxpayer provides agreed rollover and recurring issue adjustments
- Enhanced and continuous communication by both parties
- Timely responses to Information Document Requests (IDRs)
- Timely closure of IDRs by IRS



# LIFE MOU COMMITMENTS

- Discussion of issues as they arise
- Use of Issue Resolution Tools is encouraged
- Understanding of when the process will be terminated
- Understanding of ramifications if termination occurs



# LIFE

## WHEN IS IT USED

- To move towards currency
- Cooperative taxpayer
- Special Projects or Programs
- No prior/recent experience with taxpayer but interaction indicates they will support process
- Few material issues identified



# LIFE WHEN IT IS NOT USED

- Taxpayer has been uncooperative in past and has not shown a desire to change
- Indications of Fraud
- Taxpayer is not willing to support LIFE
- Significant number of MATERIAL issues



# LIFE TERMINATION OCCURS

- MOU commitments not met
- Repeated actions that hinder timely completion on the exam
- Failure to disclose abusive tax shelter or listed transaction
- Results in expansion of scope of exam



# LIFE TAXPAYER BENEFITS

- Greater certainty
- Conservation of time and resources
- Increased communication with IRS
- Increased involvement in the examination
- Less contentious



# LIFE POINTS OF CONTACT

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- [www.irs.gov](http://www.irs.gov): "Businesses" then "Information for LMSB" then "LIFE"
- E-mail the LIFE team from [irs.gov](http://irs.gov) site